

**DEPARTMENTS OF LABOR, HEALTH AND
HUMAN SERVICES, AND EDUCATION, AND
RELATED AGENCIES APPROPRIATIONS FOR
FISCAL YEAR 2005**

THURSDAY, MARCH 25, 2004

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:35 a.m., in room SD-192, Dirksen Senate Office Building, Hon. Arlen Specter (chairman) presiding.

Present: Senators Specter, Cochran, Stevens, and Harkin.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF THE SECRETARY

STATEMENT OF HON. TOMMY G. THOMPSON, SECRETARY

OPENING STATEMENT OF SENATOR ARLEN SPECTER

Senator SPECTER. Good morning, ladies and gentlemen. The Appropriations Subcommittee for Labor, Health, Human Services, and Education will now proceed.

Our witness today is the distinguished Secretary of Health and Human Services, Tommy Thompson. Secretary Thompson served as Governor of Wisconsin from 1987 to the year 2000, the longest tenure of a Governor in Wisconsin's State history, a national leader in welfare reform and expanding healthcare to low-income children and families, served as chairman of the National Governors Association, the Education Commission of the States, and Midwestern Governors Conference, bachelor of law degree from the University of Wisconsin in Madison.

We focus today on the budget of the Department of Health and Human Services, which has been proposed by the administration at \$62.9 billion, which is an increase of \$974 million over the fiscal year 2004 level, or 1.6 percent. And this is tough year on all accounts, as we know. This budget proposal has a great many question marks in it, one of which is the assumed savings of \$767 million, all of which are within the jurisdiction of Finance Committee, but I'm sure Senator Thompson will drop a letter to the Finance Committee and tell them to proceed to save that money for us, right, Secretary?

Secretary THOMPSON. That is correct, sir.

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Senator SPECTER. And the reduction and elimination of about a dozen programs, which have a lot of support in the Congress—Article 1 of the Constitution still has that cumbersome provision about congressional authority to appropriate, and some of our colleagues take that very seriously on programs which have been developed over the years. And I take a look at 11 programs which are being zeroed out, and then major cuts.

The Center for Disease Control has a reduction of \$116 million, which is a little hard to understand in light of their increased responsibilities. Every time we turn around, there's a major problem on SARS or AIDS or bioterrorist threats. And their building program is in midstream. I visited the Center for Disease Control several years ago, and was shocked to see what was going on down there. Your predecessor, Mr. Secretary, appeared here every year, and never once mentioned the need for capital improvements at the CDC, and it was in dire need. It's gone a fair distance on a billion-and-a-half dollar budget, and I don't know how we can stop it now, but, at the same time, I don't know how we can not stop it now.

The NIH funding is totally inadequate to allow NIH to go forward. I know how important that is in your personal agenda. And I also know you're not the President or the director of OMB, and you don't structure all of the budgets.

But it looks like a tough year ahead for us, Mr. Secretary.

Secretary THOMPSON. It is.

Senator SPECTER. I was hoping to finish before the distinguished ranking member came, so he missed his opening statement.

Just kidding. Just kidding, Senator Harkin.

We have established a unique partnership, I think, that the world knows about, to the detriment of both of us, personally. But when we have changed gavels from time to time, it has been seamless, and we have worked very, very closely together. And I'm delighted to yield to my distinguished colleague today, who has effectively tied up the Senate with an overtime issue on which I agree with his position.

Senator Harkin.

OPENING STATEMENT OF SENATOR TOM HARKIN

Senator HARKIN. I wish it wouldn't tie up the Senate. I wish we would just vote, that would be the end of it.

Thank you very much—

Senator SPECTER. We—Senator Frist may let you do that. Then what are you going to do?

Senator HARKIN. We vote, and then we move on.

Thank you very much, Mr. Chairman. And, again, I just echo the words that you've said. I've enjoyed our partnership, now going back 14 years, and the changing of the gavel back and forth has been seamless. And I have appreciated your willingness to work together and make this truly a bipartisan subcommittee, in every sense of the word. The issues we deal with, on health and education, medical research, biomedical research, are not really partisan issues at all, and I don't think either one of us have ever looked at them in that regard.

Mr. Secretary, it's always a pleasure to have you appear before this subcommittee, and I look forward to working with you in this

year's budget process. First, I want to commend you for your commitment to two important issues, issues that I know are a top priority for both of us.

The first is the support for programs for persons with disabilities. I appreciate your continued support for the New Freedom Initiative and its goal of removing barriers to community living for people with disabilities. This is extremely important. Now let's work together to get the legislation enacted.

Secretary THOMPSON. Please.

Senator HARKIN. I also want to thank you for including funding for the Real Choice System Change Grants in your fiscal year 2005 budget. I don't think those funds would be there without your personal intervention, and I appreciate that.

Second, I congratulate you on your efforts to make wellness programs a priority. Obesity, lack of physical activity, smoking, and poor nutrition are a grave threat to our country; not just to individuals, but to all of us, as taxpayers. In this country, we spend a trillion dollars a year on healthcare, and the figures show that fully 75 percent of those are spent on chronic diseases, like heart disease, cancer, and diabetes. And what those diseases have in common is that often they're preventable.

So, Mr. Secretary, I know you agree, because I've read your statements. In this country, we fail to make the necessary up-front investments in prevention. I'm absolutely convinced that prevention is an idea whose time has come. And the good news is, this can be and should be a bipartisan initiative. Senator Specter and I are working together on some wellness initiatives that we plan to include in this year's bill. I look forward to working with you on these initiatives.

For one thing, CDC has promised to send me some more pedometers. Ah-ha, you beat me to it. All right, Mr. Secretary, tell you what I'll do. Unscripted, I tell you what, I may issue a challenge, and I'll issue one to my partner here. We'll all put pedometers on, and we'll see who takes the most steps this year.

Secretary THOMPSON. Ten-thousand steps a day, Senator.

Senator HARKIN. How many?

Secretary THOMPSON. Ten-thousand steps a day.

Senator HARKIN. Are you doing that?

Secretary THOMPSON. Uh-huh.

Senator HARKIN. I may take back my challenge.

Good for you. Well, that is a great example, because that's what we've got to be doing here.

We're doing some other things. I've been working with Senator Frist on getting some signs put by the elevators—

Secretary THOMPSON. Uh-huh.

Senator HARKIN [continuing]. Which they've done at NIH. I don't know if you've done your Department the same. If we just go over there a little bit, there's a stairs. If you climb the stairs, it's healthier, and there's a certain calorie type of thing for how many stairs you climb, and stuff like that, to get people climbing stairs. Well, that's just off the record.

But we're going to get the pedometers, and we're going to try to get this thing moving here on the Hill. But, again, I just wanted to commend you for those things. The Freedom Grants Initiative,

the money that you've requested for the Systems Change Grants—please work with us to get that bill through, the New Freedom Initiative. It's most important. And on all the stuff you're doing on wellness and obesity and things like that—I may differ with you slightly—I have this in my questions—in terms of whether or not it should be mandatory or permissive for restaurants and things like that, on the menus and stuff, and we'll have a dialogue with you on the questions on that.

The one last thing that—on a less positive note, I suppose—I'm concerned about recent reports that the chief actuary for the Medicare program was told not to tell Members of Congress that his office had concluded that the Medicare Prescription Drug Program—that would cost upwards of \$10 billion more than previously reported. Again, I'll be asking you this during the question-and-answer period.

Again, Mr. Secretary, I look forward to your testimony.

Secretary THOMPSON. Thank you very much.

Senator SPECTER. Thank you very much, Senator Harkin.

Senator Cochran.

OPENING STATEMENT OF SENATOR THAD COCHRAN

Senator COCHRAN. Mr. Chairman, thank you very much.

Mr. Secretary, we appreciate very much your exemplary service as Secretary of the Department of Health and Human Services. We also note that you've made strong efforts to begin the implementation of the new Medicare Prescription Drug Initiative. I'm pleased to see, also, the aggressive effort in the budget to safeguard the country against bioterrorist threats—\$5 million that's included in the budget to help prepare State and local governments to respond to these disease outbreaks is an important step forward.

I also commend the efforts to identify threats before they reach our country, and to prevent the entry of microbes, diseases, adulterated drug products, and all other items that would threaten the safety of our citizens. The budget also provides funding to help improve the health of those who live in small towns and rural communities, such as in my State of Mississippi. Almost half of those served by small-town health centers are in rural areas. The increase of \$219 million to provide for health centers and their sustainment was appreciated very much.

It's my hope that special emphasis can also be placed on targeting research to areas of the country that suffer disproportionately from diseases like diabetes, cardiovascular disease, and obesity. Generally speaking, I think, under the pressures of trying to control spending and deal with the problems of the deficit, this is a budget that should encourage those of us who are interested in improving the health and safety of American citizens.

Thank you very much.

Secretary THOMPSON. Thank you, Senator.

Senator SPECTER. Thank you, Senator Cochran.

Just one note, to answer the question which may be on the minds of many, or at least some, about my Halloween mask. I came out of the restaurant in Philadelphia on Saturday night and tripped on a defect in the sidewalk, and landed squarely on my

nose. And I'm pleased to report that my nose was not broken, but where my nose hit the sidewalk, the sidewalk was broken.

Mr. Secretary, the floor is yours.

Secretary THOMPSON. Mr. Chairman, Senator Harkin, Senator Cochran, thank you very much.

I am very happy that the nose was not broken, and I'm glad that you are mending back in good shape. That could have been a very serious fall, and I'm very happy and appreciative that things are—

Senator SPECTER. Mr. Secretary, my colleague in the Philadelphia city race, Tom Gola, a famous basketball star, lost his balance, slipped and hit his head, and he's been in very serious condition ever since, so there are repeated circumstances of people falling, and even fatalities, so I consider myself very fortunate.

Having brought up the subject, I'm reminded there's a famous story, probably apocryphal, about Winston Churchill laying on a veranda one night, and a woman walked by and saw his condition and said, "You're drunk." And he responded, "You're ugly."

She recounted again, "You're drunk." And he said, "You're ugly." And then she said again, "You're drunk." And he said, "Yes, but I'll be sober in the morning."

Next week, I'll be back to my old appearance, however bad that may be.

SUMMARY STATEMENT OF HON. TOMMY G. THOMPSON

Secretary THOMPSON. I want to thank you, Senator Specter, for inviting me, and Senator Harkin, for giving me this opportunity to discuss the President's fiscal year 2005 budget for the Department of Health and Human Services.

In my first 3 years in the Department, I believe we have made tremendous progress in improving the health, the safety, and the independence of the American people. We continue to advance in providing healthcare to seniors and to low-income Americans, and in providing the welfare to children and strengthening families and protecting the homeland. We have re-energized the fight against AIDS at home and abroad. We've increased access to quality healthcare, especially for minorities, the uninsured, and the under-insured.

We're helping smokers—and I know this is a very big concern of yours, Senator Harkin—free themselves of a debilitating habit through a national hotline. We have set it up in the Department, Senator Harkin, without asking the Congress for any money. It'll be up and running by the end of this year. And I want you to know that I pushed this, and I feel as passionate as you do that we've got to reduce the tobacco. And hopefully someday we'll be regulating it.

With your help, 3 months ago President Bush signed the most comprehensive Medicare improvements since it was created, nearly four decades ago. There has been some controversy, and I know there'll be questions about it, and I'm going to answer those questions completely to this particular Committee.

To expand on our achievements, the President proposes \$580 billion for HHS for fiscal year 2005, an increase of \$32 billion, or 6 percent, over fiscal year 2004. Our discretionary budget authority

is \$67 billion, an increase of \$819 million, or 1.2 percent, over fiscal year 2004, and an increase of 26 percent since 2001. And I understand, Senator Specter, that there are some gaps, and I want to work with you to see how we might be able to ameliorate the situation.

Of this total, subcommittee is responsible for \$63 billion, an increase of \$659 million, or 1.1 percent, over fiscal year 2004, or \$974 million under current law. In order to strengthen our bioterrorism preparedness and public-health system, we have requested \$4.1 billion, up from \$300 million in 2001. And I would respectfully—humbly respect—and invite all of you Senators down to take a look at what we have done in the Department. And I think you'll find it very impressive and informative, what we have built, to be able to track diseases and bioterrorism activities all over the world. I've had a lot of people come down, and everybody that walks out of it feels very much relieved that we are very much there. And I would hope that you'd come down and see it.

This investment will improve our preparedness for bioterrorism attack on any kind of bioterrorism attack or for any public-health emergency. We already have seen our investment pay off, in CDC's leadership in fighting the SARS outbreak last year in a coordinated a public-health response to the West Nile virus, and even helped to deal with a particularly hard flu season this past year.

As you all know, I'm a very big proponent of information technology. That's why we will be providing a computer language, called SNOMED, to any proprietor that wants to, at no charge, starting, hopefully, by the 1st of May. We're leading the way in developing standards for electronic medical records. And last month, I announced an FDA rule to prevent medication errors by requiring bar codes on medicine and blood products.

Community health centers, as you have mentioned, Senator Cochran, are absolutely a key element for increasing access to and availability of healthcare for helping the uninsured. We're proposing to provide \$1.8 billion for health centers to provide healthcare services to 15 million Americans. I want to thank you, Senator Specter and Senator Harkin, for your leadership on this. We wouldn't be here today if it wouldn't have been for your great leadership.

Through our New Freedom Initiative, Senator Harkin, we're working to help the elderly, the disabled, by promoting home and community-based centers. In my desire to reduce obesity and diabetes, we, along with the help of Congress last September, my Department announced 12 steps to HealthierUS grants totally more than \$13 million to some more community initiatives to promote better health and prevent disease. This included 23 communities, including one tribal organization, 15 small cities and rural communities, and seven large cities. These communities are doing some very exciting work in chronic disease prevention and health promotion. For example, in Washington State, health professionals are targeting Latino adults who have diabetes, asthma, or obesity, or have a high risk of getting those conditions.

In Michigan, through the Intertribal Council of Michigan, public-health officials have created a resurgence of interest in passing on traditional wisdom in cultural practices, including consumption of

highly nutritious traditional foods. We're delighted by these activities, and the Department will expand the program this year with the addition of \$44 billion, and has requested \$125 million for these programs in 2005.

Later today, I'm going to unveil the Medicare improved drug-discount cards. I will also announce that a Pennsylvania company will be among our Medicare-approved drug-discount card sponsors. This company serves 265,000 Pennsylvania seniors, and, all together, Pennsylvania seniors will receive \$486 million this year and next.

PREPARED STATEMENT

We look forward, ladies and gentlemen, to working with this committee, the medical community, and all Americans as we build upon our past accomplishments, implement the new Medicare law, and carry out the initiatives that President Bush is proposing to build a healthier, safer, and stronger America. And I want to thank you for your bipartisan support on health issues.

Thank you, once again, for giving me this opportunity to appear in front of you.

[The statement follows:]

PREPARED STATEMENT OF HON. TOMMY G. THOMPSON

Good morning, Chairman Specter and members of the Subcommittee. I am pleased to present to you the President's fiscal year 2005 budget for the Department of Health and Human Services (HHS). I am confident you will find our budget to be a positive solution to improving the health, safety, and well-being of our Nation's citizens. Before I discuss the fiscal year 2005 budget, I would like to thank the Subcommittee for its hard work and dedication to the programs within HHS. I am extremely proud of the manner in which we have worked together effectively, in a bipartisan effort, since I was appointed Secretary. This cooperation should be lauded and the tremendous results for the American people can be seen in our many accomplishments.

This year's budget proposal builds upon past accomplishments in meeting several of the health and social well-being goals established at the beginning of the current Administration. I deeply appreciate the level of support I have received from the Subcommittee during the past on so many issues that have touched American's lives. For example, with your help, the Department has funded 614 new and expanded health centers. This has effectively increased access to health care for an additional 3 million people, of which 64 percent are minorities, increasing the overall number of patients served in health centers by almost 30 percent. In the past three years, your support for protecting our nation from bioterrorism has made the country better prepared and better protected.

Your unwavering commitment in doubling the budget for the National Institutes of Health has supported work by more than 217,000 research personnel affiliated with 2,000 universities, hospitals, and other research facilities across our great nation. This support has led to a constant flow of new scientific discoveries. We have also established the Access to Recovery State Vouchers program, providing 50,000 individuals with needed substance abuse treatment and recovery services. HHS initiated a new Mentoring Children of Prisoners program to provide one-to-one mentoring for approximately 30,000 children with an incarcerated parent and created education and training vouchers for foster care youth, securing funding to provide vouchers of up to \$5,000 to 17,400 eligible youth since 2001. Last year, we worked together with Congress to pass the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA), adding prescription drug coverage for seniors and modernizing the Medicare program. While I thank you for your support in these and the many other accomplishments to improve the health, safety, and well-being of our citizens, there is still much to be done.

For fiscal year 2005, the President proposes an HHS budget of \$580 billion in outlays to enable the Department to continue working with our State and local government partners, as well as with the private and volunteer sectors, to ensure the health, safety, and well-being of our nation. This proposal is a \$32 billion increase in outlays over the comparable fiscal year 2004 budget, or an increase of about 6

percent. The mandatory programs in the HHS budget total \$513 billion in outlays. Of this \$513 billion, Medicare and Medicaid combine to equal about \$474 billion, an increase of approximately \$29 billion or 6.5 percent over fiscal year 2004. The discretionary programs in the HHS budget totals \$67 billion in budget authority. Of this total, this Subcommittee is responsible for approximately \$63 billion in budget authority, an increase of approximately \$659 million, or 1.1 percent over fiscal year 2004 for proposed law, and an increase of approximately \$974 million, or 1.6 percent over fiscal year 2004 for current law.

For fiscal years 2004 and 2005, the MMA appropriated \$1.0 billion in start-up funds so that the Centers for Medicare and Medicaid Services (CMS) would have funds available upon enactment to implement the enormous increase in new administrative responsibilities under the legislation. With rare exceptions, however, these administrative costs have typically been categorized in the budget as discretionary. Thus, this year the President's budget classifies the \$1 billion for CMS implementation of the MMA as discretionary.

In addition, the budget identifies approximately \$500 million in mandatory program savings for this Subcommittee's consideration. These are four legislative proposals that I believe will lead to increased cost effectiveness and reduced waste in the Medicare and Medicaid programs. First, allowing beneficiaries to purchase durable medical equipment after 13 months instead of 15 months is a lower burden for our beneficiaries and a savings for Medicare, and it will improve access to these products while reducing rental payments. Second, requiring the Centers for Medicare and Medicaid Services (CMS) to use the Administration for Children and Family's (ACF) wage database will allow CMS to identify more quickly whether a beneficiary has employer-sponsored insurance and to determine whether Medicare should be the secondary payer, as opposed to the primary payer, to that other health coverage.

Third, we are proposing to eliminate a windfall to the States by reducing Federal reimbursement for Medicaid administrative costs by about \$300 million. Most states' TANF Block Grants were based on expenditures that included the costs of determining Medicaid eligibility, but they have also received Federal match for these expenditures through Medicaid since TANF's implementation. Our proposal seeks to eliminate this double payment for fiscal year 2005. Finally, we are proposing to change the enhanced matching rates for administrative activities toward systems' improvements, consistent with other enhanced rates.

EXPANDING ACCESS TO HEALTH CARE FOR AMERICANS

One of the most important issues on which we can continue to work together, is expanding access to quality health care for all Americans. In 2002, the President launched an initiative to expand access to health care by creating 1,200 new or expanded health care sites and serving an additional 6 million people by 2006. Since the initiative's inception, with the strong bi-partisan support of this Subcommittee, the Health Centers program has significantly impacted more than 600 communities, serving over 13 million patients, 3 million more than in 2001, 40 percent of whom have no health insurance coverage, and many others for whom coverage is inadequate. In addition, States use Health Insurance Flexibility and Accountability (HIFA) demonstrations to expand health care coverage. As of January 2004, HIFA demonstrations expanded coverage to 175,000 people and another 646,000 were made eligible.

While we have made significant strides in this endeavor, there is still much work to be done. In fiscal year 2005, the President's budget request will continue to expand resources for Health Centers to a level of \$1.8 billion, an increase of \$219 million over fiscal year 2004. This increase will result in increased services for an additional 1.6 million people in approximately 330 new and expanded sites. This level will provide access to comprehensive preventative and primary care services, at over 3,800 health sites nationwide, for a total of almost 15 million uninsured and underserved individuals, nearly 7 million from rural areas.

ACCESS TO RECOVERY

Mr. Chairman, the fiscal year 2005 budget represents the fourth year of the President's strong commitment in leading our nation's battle against addiction. With your support, we have made significant progress. Current use of illicit drugs among students has declined by 11 percent between 2001 and 2003. However, there continues to be an unmet need for drug treatment services. The fiscal year 2005 budget will provide 100,000 individuals with drug and alcohol treatment benefits by doubling funding to \$200 million for the Access to Recovery State Voucher Program. This program will allow individuals seeking clinical treatment and recovery support services

choices among qualified community provider organizations, including those that are faith-based. The program's emphasis is on objective results and is measured by outcomes, including decreased or no substance use, no involvement with the criminal justice system, attainment of employment or enrollment in school, family and living conditions, and social support.

DISEASE DETECTION AND BIOTERRORISM PREPAREDNESS

In the past three years, your support for our bioterrorism efforts has been unwavering, and together we have made tremendous strides in protecting our nation from various threats. While we have made great strides, it is imperative that we remain steadfast in our commitment to protect our nation and the well-being of all its citizens. The fiscal year 2005 request for HHS bioterrorism activities is \$4.1 billion, an increase of \$155 million above fiscal year 2004, and \$3.8 billion above the fiscal year 2001 level.

This work will be coordinated with the Global Disease Detection Initiative at CDC. The Global Disease Detection Initiative (+\$27.5 million) will help the United States learn more rapidly about new disease threats that emerge in other Nations. CDC will recognize infectious disease outbreaks abroad faster, and help those nations identify and stop those diseases before they arrive in the United States. In order to accomplish this task, CDC will expand its presence internationally and collaborate with multinational organizations, such as the World Health Organization (WHO) to improve overall global disease detection, control, and surveillance. CDC will also invest an additional \$10 million to expand quarantine efforts at ports-of-entry for international travelers.

Funds will be directed to carry out a new interagency bio-surveillance initiative to prepare against a potential bio-terrorist attack. The Centers for Disease Control and Prevention (CDC), in coordination with the Food and Drug Administration (FDA), the Department of Homeland Security, and the Department of Agriculture, will be working to improve the response to bioterrorism through early detection with the BioSense Surveillance Initiative. Through this program, we will improve human health surveillance, strengthen the laboratory response network, and increase the numbers of border health and quarantine stations, which will allow us to identify and isolate potential disease outbreaks more rapidly.

We also continue our work in building the Strategic National Stockpile of drugs, vaccines and medical supplies that can be shipped anywhere in the country on short notice, with a request for \$400 million in fiscal year 2005. The fiscal year 2005 budget returns the financing of the stockpile to HHS. DHS will continue to have the authority to order deployment of the stockpile in an emergency, along with HHS. The fiscal year 2005 budget includes a three-year financing plan to expand our antibiotic stockpile to be able to provide post-exposure anthrax treatment from 13 million to 60 million people. In fiscal year 2005, we have included a contingency provision that will allow us to transfer up to \$70 million to the Stockpile from funds available for State and local preparedness, should the added funds be needed.

Our nation's ability to detect and counter bioterrorism ultimately depends on the state of biomedical science, and the National Institutes of Health (NIH) will continue to ensure full coordination of research activities with other Federal agencies in this battle. The fiscal year 2005 budget includes \$1.74 billion for NIH biodefense research efforts, an increase of \$120 million, or +7.4 percent. Included within this biodefense total is \$150 million to support the construction of Biosafety laboratories for NIH to help develop medical protection from bioterrorism, and to back up State and Federal public health laboratories. Prior to fiscal year 2002, only a few laboratories in the United States were capable of conducting research on potential bio-terrorist agents. The \$150 million investment in fiscal year 2005 will fund an additional 20 Biosafety Level 3 laboratories across the country.

The ability to mitigate the health effects of radiation exposure in the potential event of the use of a limited nuclear or radiological device in a terrorist attack presents a critical challenge for which little progress has been made in the last forty years. For fiscal year 2005, \$47 million is requested in the budget for the Public Health and Social Services Emergency Fund, to be coordinated and managed by NIH. This new initiative will support targeted research activities needed to develop medical countermeasures to more rapidly and effectively treat nuclear or radiological injuries.

Throughout my time as Secretary, many steps have been taken to allow for improved access to vaccines for those in need and better methods to combat the spread of influenza viruses. The average Medicare reimbursement rate to physicians for the administration of the flu vaccine increased from \$3.98 per dose in CY 2002, to \$7.72 in CY 2003, an increase of +94 percent. The payment increased again in 2004 to

\$8.25 per dose. In fiscal year 2004 and 2005, \$40 million per year will be used for creating a stockpile of children's influenza vaccine to ensure this past year's shortages do not reoccur. While these previous measures have improved access to vaccines, we must also look toward future improvements. It is imperative that the United States develops the domestic capacity to produce rapidly the vaccine our nation would need in a pandemic. For that reason, the fiscal year 2005 budget seeks to double to \$100 million our investment to ensure a year round production capacity for influenza vaccines to improve our preparedness for an influenza pandemic, as well as develop production technologies that could be scaled-up rapidly to provide surge capacity during a pandemic.

CHILDHOOD VACCINES

The Budget includes two legislative proposals in Vaccines for Children that I believe should be strongly supported by the members of this Subcommittee. This legislation would enable any child who is entitled to receive VFC vaccines to receive them at State and local public health clinics. There are hundreds of thousands of children who are entitled to VFC vaccines, but can receive them only at Community Health Centers and other Federally Qualified Health Centers. The proposal ensures VFC coverage of childhood vaccines for VFC eligible children when they show up for services at a public health clinic. Given the rising cost of childhood vaccines, ensuring access to VFC vaccines for eligible children is especially important. Legislation is also needed to restore tetanus and diphtheria vaccines to the VFC program. The VFC authorization caps prices at such a low level that no manufacturer will bid on a VFC contract. As a result, the vaccines that are provided to VFC children through the public health system have to be financed with scarce discretionary resources. Enactment of the legislation the budget proposes would, at the same time, expand by \$55 million the vaccines that are available to children while reducing by \$110 million the demand for vaccines financed with discretionary appropriations.

CDC will continue to build a six-month, vendor-managed stockpile of all routinely recommended childhood vaccines. Between fiscal year 2004 and fiscal year 2006, CDC will invest an additional \$583 million to meet target quantities needed for a six-month stockpile. Vaccines from the stockpile can be distributed in the event of a disease outbreak and will mitigate the effect of any potential manufacturing supply disruption.

COMPLETION OF THE DOUBLING OF NIH

I commend you, Mr. Chairman, and this Subcommittee, for your commitment in doubling the budget for the National Institutes of Health, consistent with the President's request. Building on the momentum generated by the fulfillment of the President's commitment to complete the five-year doubling of the NIH budget, the fiscal year 2005 request provides \$28.8 billion for NIH. This is an increase of \$764 million, or +2.7 percent, over the fiscal year 2004 level. In fiscal year 2005, over \$24 billion of the funds requested for NIH will flow out to the extramural community, which supports work by more than 217,000 research personnel affiliated with 2,000 university, hospital, and other research facilities across our great nation. These funds will support a record total of nearly 40,000 research project grants in fiscal year 2005, including an estimated 10,393 new and competing awards.

NIH remains the world's largest and most distinguished organization dedicated to maintaining and improving health through the use of medical science. Major advances in scientific knowledge, including the sequencing of the human genome, are opening dramatic new opportunities for biomedical research and providing the foundation for un-imagined results in preventing, treating, and curing disease and disability. Investment in biomedical research by NIH has driven these advances in health care and the quality of life for all Americans, and the fiscal year 2005 budget request seeks to capitalize on the resulting opportunities to improve the health of the nation.

In an effort to target gaps and opportunities that no single NIH institute could solve alone, the fiscal year 2005 budget allocates \$237 million for the Roadmap for Medical Research initiative, an increase of \$109 million (or +85 percent) over fiscal year 2004. This initiative consists of three core themes of establishing new pathways to discovery, inventing the research teams of the future, and re-engineering the clinical research enterprise.

COMMUNITY AND FAITH-BASED INITIATIVES

In support of the President's Community and Faith-Based Initiative, the fiscal year 2005 budget maintains a commitment toward programs that link community and faith-based organizations with State, local governments, and Federal partners

programs. The initiative creates results by empowering those at the community level, who can best identify the social and health related problems. Those at the community level can then act to produce positive results and be agents of change in the lives of the most needy.

The President's budget requests a total of \$100 million for the Compassion Capital Fund, doubling the fiscal year 2004 level. Initiated in fiscal year 2002, the Compassion Capital Fund awards grants to organizations which provide technical assistance to help faith-based and community organizations access funding sources, operate and manage their programs, develop and train staff, expand the reach of programs into the community, and replicate promising programs.

As our nation's prison population continues to rise, another important program that reaches our most vulnerable children is the Mentoring Children of Prisoners program. Studies indicate that children with incarcerated parents have a seven times greater chance of becoming incarcerated themselves and are more likely to succumb to substance abuse, gangs, early childbearing, and delinquency. This budget request includes \$50 million, maintaining the fiscal year 2004 level, to provide grants to enable public and private organizations to establish or expand projects that provide mentoring for children of incarcerated parents and those recently released from prison. This activity will give 30,000 adolescent children of prisoners a beacon of hope in their world of despair.

The President's budget includes \$10 million for Maternity Groups Homes as part of the Transitional Living program. This will provide pregnant and parenting youth who cannot live safely with their own families access to adult-supervised community-based group homes, and a range of coordinated services including childcare, job training, and counseling.

HEAD START PROGRAM

One of the most fundamental truths in our society today is the necessity for a solid educational background to allow all children the opportunity to succeed. The initial educational experience is the bedrock of our children's healthy growth and development. Mr. Chairman, with the generous support of this Subcommittee, we have made a significant difference in this beginning stage of our children's growth and development. This commitment towards meeting the needs of our most vulnerable citizens is unwavering and remains stronger than ever with the 2005 President's budget request of \$6.9 billion for Head Start. This is an increase of \$169 million over the fiscal year 2004 level. In fiscal year 2005, 919,000 children will receive Head Start services including 62,000 children in the Early Head Start program.

In fiscal year 2005, we will continue to emphasize the goals of the President's Good Start, Grow Smart Initiative to strengthen Head Start by partnering with States, by providing information on child development and early learning to teachers, caregivers, parents, and grandparents, and close the gap between research and practice in early education. The fiscal year 2005 request includes \$45 million to support the President's initiative to improve Head Start by funding nine State pilot projects coordinating State preschool programs, Federal child care grants, and Head Start into a comprehensive system of early childhood programs for low income children. The budget also includes \$124 million to maintain competitive salaries for Head Start teachers and to support program enhancements in early literacy and cognitive development.

PREVENTION INITIATIVES

More than 1.7 million Americans die of chronic diseases—such as heart disease, cancer, and diabetes—each year, accounting for 79 percent of all U.S. deaths. Although chronic diseases are among the most common and costly health problems, they are also among the most preventable. The budget includes \$915 million for CDC's Chronic Disease Prevention and Health Promotion program, an increase of \$62 million over fiscal year 2004.

Within this request is \$125 million, an increase of \$81 million, for the Steps To A Healthier U.S. Initiative. This increase will fund the State and community grant program initiated this past September to reduce the prevalence of diabetes, obesity, and asthma-related complications, targeting those at high risk. Last year these funds reached 23 communities, including seven large cities, one Tribal consortium, and 15 smaller cities and rural areas, and more areas will benefit during the upcoming year. Also a total of \$10 million will be used to expand the Diabetes Detection Initiative, which targets at-risk populations. The aim of this initiative is to reach these populations where they live, work, and play through a customized, tailored approach with the aim of identifying undiagnosed diabetes.

The fiscal year 2005 budget request for the CDC National Breast and Cervical Cancer Early Detection Program (NBCCEDP) is \$220 million, an increase of \$10 million over fiscal year 2004. This program has helped to increase mammography use by women aged 50 and older by 18 percent since the program's inception in 1991. Efforts are targeted toward low-income women with little or no health insurance and have helped to reduce disparities in screening for women from racial and ethnic minorities. With the requested increase, an additional 32,000 diagnostic and screening services will be provided to women who are hard-to-reach and have never been screened for these cancers.

MENTAL HEALTH TREATMENT

In meeting the President's goal of transforming the mental health system and increasing access to mental health services for some of our most vulnerable citizens, the fiscal year 2005 budget includes \$913 million in discretionary funding for mental health services, an increase of \$51 million over fiscal year 2004, or +6 percent. As an important step in reshaping this delivery system, the budget proposes \$44 million for State Incentive Grants for Transformation. These new grants will support the development of comprehensive State mental health plans to reduce system fragmentation and increase services available to people living with mental illness.

Recent studies have found that 20 percent of individuals experiencing chronic homelessness also have a serious mental illness. This request proposes \$10 million for the Samaritan Initiative, an Administration-wide initiative to reduce chronic homelessness, jointly administered with the Departments of Housing and Urban Development and Veterans Affairs. Through this initiative, States and localities will develop processes to better enable access to the full range of services that chronically homeless people need, including housing, outreach, and support services such as mental health services, substance abuse treatment, and primary health care.

FIGHTING HIV /AIDS

HIV is one of the most serious and destructive challenges facing humanity in our world today. No country, whether large or small, rich or poor, can escape the devastation it brings. All have citizens whose lives have been destroyed by this horrible disease, and our commitment to ending this pandemic is both strong and unwavering. No nation in history has ever committed the time, energy, and fiscal resources that the United States has invested in this effort. The fiscal year 2005 total HHS budget will continue this emphasis with the request for HIV/AIDS funding of \$15 billion, or +31 percent over fiscal year 2001 for both domestic and global HIV/AIDS prevention, care, treatment, and research activities.

Specifically, the fiscal year 2005 budget includes \$784 million for States to purchase medications for persons living with HIV/AIDS. At this level, monthly AIDS Drug Assistance Programs will increase from 93,800 clients in fiscal year 2004 to 100,000 clients in fiscal year 2005. Also included is \$53 million for the HIV/AIDS in Minority Communities activities to support innovative approaches to HIV/AIDS prevention and treatment in minority communities.

MARRIAGE AND HEALTHY FAMILY DEVELOPMENT

The President announced an expanded initiative to build on research that there are life-long benefits of growing up in married-parent families. This initiative, comprised of new and existing programs, has four elements: (1) supporting marriage and families; (2) providing tools to parents; (3) teaching values to children; and (4) encouraging community and faith-based organizations to support families.

Within this initiative is \$273 million to help parents and communities provide teens with the tools to make responsible choices and abstain from early sexual activity. The budget includes \$50 million to support a new program that will assist non-custodial fathers in becoming more involved in their children's lives, and \$107 million to nearly double funding for State child abuse programs to reduce the incidence of child abuse and neglect and increase services to those who are victims.

HEALTH CARE INFORMATION TECHNOLOGY

Improvements in the safety, effectiveness, and efficiency of health care, as well as in public health preparedness, can best be achieved by the accelerated use of health information technology (IT). Therefore, the fiscal year 2005 budget requests \$50 million in new funding for a Health Care IT initiative. This amount, by funding demonstrations and investing in private sector and public program partnerships, will accelerate the development and utilization of modern IT in both health care and public health. These investments will assist development by the private sector of

needed standards, examine ways the use of IT can be encouraged, coordinate actions across all agencies, and ensure that this investment will further the national health information infrastructure.

These resources will be made available to local, regional, tribal and State data exchange networks and organizations, to provide the infrastructure necessary for exchange of a patient's health information within that area, and with other such organizations nationally. In addition, technical assistance and resources to these networks and information infrastructures will be available. These investments will complement and build upon the Agency for Healthcare Research and Quality's (AHRQ) demonstration grants and other activities to evaluate the effects of IT on the safety and quality of health care—a critical component of assuring that IT's positive benefits are adopted broadly.

MODERNIZATION AND REFORM INITIATIVES

With the enactment of Medicare Prescription Drug, Improvement, and Modernization Act of 2003, the Department faces many challenges in the coming fiscal year. A top priority for CMS, and all Operating Divisions within HHS, will be the timely implementation of the sweeping changes in the law. As the most significant reform of Medicare since its inception in 1965, the law expands health choices for beneficiaries and adds a prescription drug benefit. MMA will strengthen and improve Medicare, while providing beneficiaries with new benefits and the option of retaining their traditional coverage.

Along with Medicare reform, the President remains fully committed to strengthening and empowering America's families through legislation supporting welfare reform, modernization of Medicaid and SCHIP, increased child support enforcement, and reform of the child welfare system.

MANAGEMENT IMPROVEMENTS

Finally, I would like to update the subcommittee on the Department's efforts to use our resources and the taxpayer's dollars in the most efficient manner. To this end, HHS remains committed to setting measurable performance goals for all HHS programs and holding managers accountable for achieving results. I am pleased to report that HHS is making steady progress. We have made significant strides in streamlining and making performance reporting more relevant to both decision makers and customers. As a result, the Department is better able to use performance results to manage and to improve programs. By raising our standards of success, we will continue to improve efficiency and increase our ability to improve the health of every American citizen.

IMPROVING THE HEALTH, SAFETY, AND WELL-BEING OF OUR NATION

Chairman Specter and members of the Subcommittee, I would like to thank you once again for your passion and support in working with us in this fight to improve the health, safety, and well-being of all Americans. The budget I bring before you contains proposals from many different areas. These programs, from enhancing the building blocks for our youngest and most vulnerable with Head Start, to expanding Health Centers to increase the access to quality health care for minorities, to protecting our nation from the threat of bio-terrorism, all meet vital needs within our communities. All of these proposals, which vary greatly in substance, are put forth with one simple overarching goal of ensuring the health, safety, and well-being of all Americans. I know that this goal is one that we share together, and I look forward to your continued support as we move toward turning our passionate commitment into positive results for the American people.

Senator SPECTER. Thank you very much, Mr. Secretary.

We will now proceed with our customary 5-minute rounds.

PRESCRIPTION DRUG BENEFIT ESTIMATES

Mr. Secretary, the morning news reports are filled with the testimony of Mr. Richard Foster before a House committee yesterday, where he, in his capacity as the Medicare programs chief actuary, told House Members that he gave an analysis last June to the White House and the President's Budget Office which was not shared with the Congress, predicting that prescription drug benefits being drafted on Capitol Hill would cost about \$150 billion

more than President Bush said he wanted to spend. And he further reported that unnamed administration officials, or perhaps they are named, threatened to fire him.

I have two questions for you on that. Do you have any personal knowledge that the cost estimate of \$150 billion was concealed? And, second, do you have any personal knowledge about the alleged threats?

Secretary THOMPSON. Senator, let me quickly respond, as accurately as I possibly can. Number one, I read in the paper, after the alleged threat by the Administrator of CMS—I had my chief of staff immediately—

Senator SPECTER. The first you knew about it was reading about it in the newspaper?

Secretary THOMPSON. No, no. This was way back in June when this took place. I read about it in the newspaper, I heard about it, and I had my chief of staff call—

Senator SPECTER. And my question is: The first time it came to your attention was when you heard news reports?

Secretary THOMPSON. That is correct. Last June.

Senator SPECTER. Okay.

Secretary THOMPSON. And then I had my chief of staff contact Mr. Foster and tell him, directly from me, that his job was not in jeopardy.

Now, the actuary's assumptions, based upon that, was only for the first section of Senate bill 1, and that was \$550 billion. I did not know of that figure. I did know of the assumptions that Rick Foster had projected that we would be having more people participate in Medicare, by 94 percent versus CBO's number of 87 percent that was publicized. The Congress knew about that. The administration knew about that. And that was the big difference.

The second difference on the cost estimates was based upon how much is going to be used by low-income seniors. We assumed that it's going to be a lot more than CBO. CBO scores it at 87 percent. We score it at 94 percent. That is a difference of about a \$100 billion of the \$134 billion difference between CBO and our actuary. That's based upon assumptions. Those figures were known—not the exact figures. The fact is, is that we knew that they were going to be more, and we made that to be known to the Congress.

Senator SPECTER. Well, focus specifically on what Mr. Foster—

Secretary THOMPSON. Okay.

Senator SPECTER [continuing]. Has said. And that is that he had a figure of \$154 billion more than the President's figure, and he did not tell Congress about that \$150 billion more.

Secretary THOMPSON. Senator, that was based upon an earlier bill. That was Senate bill 1 that was introduced—that was the chairman's score from the Finance Committee. That was not the bill that was debated on the floor of the Senate or the House of Representatives. Those figures didn't come out until December of this past year, after the bill passed.

Senator SPECTER. So are you saying that his allegation is factually incorrect, that he did not have information about \$150 billion excess beyond what the President wanted to spend, and that he did not conceal that from the Congress?

Secretary THOMPSON. I'm saying that the \$150 billion difference is based upon an earlier version of the bill, and the final version is \$134 billion, and that didn't come out until December 13. And the \$150 billion was based upon only the first section of the bill. And there was no—to the best of our knowledge, and we have looked through all the records—there has not been any written record where any Member of Congress has asked for the earlier assumptions or the earlier figures. And that's why I've asked the inspector general of my Department to get all the facts so that we can report it to Congress. I have asked the inspector—have asked the Inspector General to make a detailed report to me and to Congress.

Senator SPECTER. My red light just went on, and I want to observe the time limits, so I'll turn now to Senator Harkin.

Senator HARKIN. Mr. Secretary, I think the record will show here that you might have made a little bit of a misstatement, because I made a note on this. You said you read about this last June in the news reports. You did not read about it last June.

Secretary THOMPSON. Yes, I did.

Senator HARKIN. There was a news report last June—

Secretary THOMPSON. Yes, there was.

Senator HARKIN [continuing]. In the newspapers—

Secretary THOMPSON. Absolutely.

Senator HARKIN [continuing]. Saying that there was this higher estimate?

Secretary THOMPSON. No. No, there was a—the newspaper article that was last June was—is that—it came out, it was reported by AP, that Mr. Foster had been threatened that he was going to lose his job if he didn't send up—and what was requested was the score on the benefits of the particular bill, on premium support.

Senator HARKIN. Premium support, that's—

Secretary THOMPSON. Premium support. And that was what was requested. That was what Tom Scully had told Rick Foster not to send up. That's what was said.

Senator HARKIN. Okay.

Secretary THOMPSON. Then Tom Scully says, "Somebody made the allegation that you're going to get fired if you send it up." When I heard that, I asked my chief of staff to call—which he did—call Mr. Foster and say, "Your job is not in jeopardy at all." Mr. Foster has testified to that.

Senator HARKIN. Okay, then, I still wonder why we were not given those numbers.

Secretary THOMPSON. We've looked at it, Senator Harkin, and we do not believe there has ever been a written request from any Member of Congress—neither the Senate or the House had ever requested for those figures. Those figures were preliminary figures on Senator Grassley's bill, and it was only on the benefit portion, on the drug portion, not the total bill. And that figure was \$551 billion. And the last figure that deals with the bill that was passed was \$534 billion.

Senator HARKIN. Uh-huh.

Secretary THOMPSON. That's \$17 billion difference, and that's—and Rick Foster testified yesterday that the final figures did not come out until the latter part of December, after the bill passed.

Senator HARKIN. That's right. But on June 3, Foster made his higher estimate. That's one. That was \$150 billion.

Secretary THOMPSON. That is—but that was on a different bill. That was on—

Senator HARKIN. That was on S. 1.

Secretary THOMPSON [continuing]. S. 1. But that was—that was the chairman's mark, and that was only on the drug benefit. It wasn't on the other seven provisions of the bill, the other seven chapters.

Senator HARKIN. Okay. So then the bill passed in November, but the bill that passed—it was somewhat different than S. 1, obviously.

Secretary THOMPSON. Completely different.

Senator HARKIN. Well, I don't know that it was completely different; it was somewhat different. But are you saying that it made no difference whether or not we knew there was \$150 billion more, or what the estimates were by the time the bill passed?

I guess it just seems to me that, you know, who knew what, when, and how they knew it, and all that kind of stuff. It just seems to me that we have a fundamental question here. Do you think it should be the policy of the administration, any administration, that the actuaries officers at CMS provide technical assistance to Members of Congress, as I understand the practice was before this year? Now, I could be mistaken on that. But I understand the practice was that the actuaries office at CMS provided information to the relevant committees.

Secretary THOMPSON. We have looked at that, and that was not the practice, and that's why there was some report language put in, in the Balanced Budget Act, because members of the Republicans were not able to get it from the actuary under the previous administration.

But to answer your question, Senator Harkin, I think that that information should be made available, and I have testified to that previously.

Senator HARKIN. I agree with you, because obviously it was collected at taxpayers' expense. I mean—

Secretary THOMPSON. Yes, sir.

Senator HARKIN [continuing]. This is not some private entity doing this, and that—those figures ought to be available for policy-makers. I don't know what the end result is going to be, but I hope it is that we have access to these kind of figures in the future, I hope.

Secretary THOMPSON. I think you should. I think you will. The CBO numbers are the ones that are—and those are the ones—the CBO still says it's \$395 billion, not the \$534 billion. And there's a logical explanation that I could go into if you would want me to, Senator Harkin.

Senator HARKIN. My time is up. I hope we get a second round, because I did want to ask you about the Wellness Program.

Senator SPECTER. There will be a second round, Senator.

Senator HARKIN. Thank you, Mr. Chairman.

Senator SPECTER. Senator Cochran.

DRUG REIMPORTATION

Senator COCHRAN. Mr. Secretary, we've had some debates and votes on amendments here in the Senate relating to importation of pharmaceutical products from other countries. Are there sufficient funds in this budget request to deal with the problem of counterfeit or unsafe pharmaceutical products that may enter the United States from other countries?

Secretary THOMPSON. I don't think so, Senator. I think it's a growing problem, and I think that we are doing the best job possible. As you know, I requested this Congress, early on when I came on, to get enough inspectors to deal with some things with food. We have increased it. But, overall, I still think that there is a good chance of having counterfeit drugs. And we see that every time we stop. We had, as you know, some inspections at the border not too long ago, one in July and one in September and October of this year, and about 87 percent of the drugs that came in were either mislabeled, mis-packaged—some were counterfeit, some were not certified by FDA, or approved by FDA. So a lot of drugs that come into America are not regulated by the FDA.

Senator COCHRAN. Are you making an effort to bring this to the attention of our friends around the world, and try to get help there in those countries?

Secretary THOMPSON. We are. We have a very strong, aggressive outreach program to other countries, especially to Canada. But Canada has pretty much indicated that it's not their problem, and it's our problem, and that we should address it ourselves. We have started hearings. Last Friday was the first hearing. I set up a commission, headed up by Surgeon General Carmona, to take a look at reimportation, importation, as well as ways in which we can develop it.

We've also set up a task force on counterfeit drugs, and we announced that a couple of weeks ago. We're working with the Federal Trade Commission and the Department of Justice in regards to that.

We're quite aggressive, but your question was, are there enough resources? I don't think there are, because FDA is very strapped with all of its demands. And this is a huge problem, and if, in fact, we are going to have reimportation, we're going to have more resources in order to make sure that this reimportation of drugs are safe.

VACCINES

Senator COCHRAN. In connection with the availability of vaccines to deal with threats to the public health—

Secretary THOMPSON. Yes.

Senator COCHRAN [continuing]. There seems to be a gap between what we should have and what we do have in the way of an inventory of vaccines, being able to locate them, and then mobilize our resources to deliver them where they may be needed in case of an outbreak of a disease or illness. Is there any effort in the budget to deal with that problem by providing funding to the Centers for Disease Control or other agencies that could help move us in the direction to deal with that more effectively?

Secretary THOMPSON. Absolutely, there is, and you've already done a great deal, and I wish you could just come down and see how we track this. We have got the country split up into 12—in 10 regions, but we have 12 strategic locations where we have 600 tons of medical supplies, antibiotics, vaccines that we can strategically deploy to any city in America within 7 hours. It takes nine semi-truck loads or a KC-135 in order to do so. And we track that.

We also have got, at the present time, enough smallpox vaccine, 400 million doses, to vaccinate every man, woman, and child in America. We have enough doxycycline and Cipro, as far as anthrax is concerned, to treat 14 million people in America for 60 days. We have money in here to go to 20 million, which is a huge increase of supplies that we're going to have to put in the supplies depots, but we're going to do that.

We are asking for a BioShield, which is still tied up in Congress, and this is going to allow us to reach out to the pharmaceutical and biological companies to develop new vaccines for tularemia, for the plague, and for hemorrhagic superviruses, and so on.

We're doing a lot, but we can always do more. I'm very satisfied with where we are, but I know that we can improve, and that's what we intend to do.

Senator COCHRAN. Thank you very much for your efforts in this area. It's so important to homeland security and the health and safety of our American citizens.

Secretary THOMPSON. I would hope you'd come down and see us, Senator.

Senator COCHRAN. I'll do that. I need to go to the Center for Disease Control, too. I've never gone down there to take a tour around. I've seen photographs of some of the buildings that need upgrading—

Secretary THOMPSON. Senator Specter's been down there. I'd like you to come down there. It's worth your time to do it. We're only a block away. If you come down, I can get you through in a half an hour, 45 minutes, and I can show you exactly how we track diseases and storms and whatever we've got to face. It's really an educational type of thing, and it's really—I invite you. I'd love to have you come down and host you and get a chance to see it.

Senator COCHRAN. I accept your invitation, with pleasure.

Secretary THOMPSON. Thank you.

ORASURE

Senator SPECTER. Mr. Secretary, a Pennsylvania company, Orasure Technologies, Incorporated, in Bethlehem, has developed a 20-minute HIV test, and I know you're familiar with it.

Secretary THOMPSON. I'm very excited about it, Senator.

Senator SPECTER. On March 10, Orasure met with HHS officials regarding additional purchases through the Substance Abuse and Mental Health Administration, and was led to believe that SAMHSA had committed to a \$13 million purchase order; however, SAMHSA has now told staff that no such commitment has been made, and any potential purchase will be less than \$5 million. You and I have exchanged correspondence on it. I would be interested to know whether there was any commitment for a \$13 million purchase, and what you anticipate by way of a purchase in light of the

remarkable technology at hand and the tremendous need for determining, in Africa and other places, whether the people have HIV/AIDS?

Secretary THOMPSON. I can't answer you specifically as to what was committed by SAMHSA, or if there was a misunderstanding, but I will get an answer to you very quickly. I'm sorry about that, that I don't have it at the top of my head, Senator Specter.

[The information follows:]

ORASURE

We are committed to using new technology to identify undiagnosed HIV-positive individuals, help them reduce risk of transmission, and refer them to care. In fiscal year 2003 CDC bulk-purchased \$2 million of rapid tests (250,000 kits), and has placed an additional \$2 million order for fiscal year 2004. We have also encouraged our international partners to consider the OraQuick tests in their efforts to identify individuals with HIV/AIDS. The Global Assistance Program countries frequently use OraQuick as a tie breaker when two less expensive tests give different results.

SAMHSA submitted a request to the HIV/AIDS in Minority Communities Fund to purchase HIV rapid test kits for its HIV/AIDS grantees. At this time, no final decision has been made about the level of funding available for this request. The HIV/AIDS in Minority Communities Fund supports innovative approaches to HIV/AIDS prevention and treatment in communities of color. Each year HHS agencies/offices submit proposals for activities to reduce the disproportionate impact of HIV/AIDS on racial and ethnic minorities. In fiscal year 2003, a total of eight agencies/offices received dollars from this fund. It is our hope to reach final decisions on these dollars very shortly.

GLOBAL FUNDS FOR AIDS, MALARIA, AND TUBERCULOSIS

Secretary THOMPSON. In regards to Africa, as you know, I'm chairman of the Global Fund for fighting AIDS, malaria, and tuberculosis. I advised—we just came back from Geneva this past—we had our seventh board meeting, and I advised the board of this new, innovative idea that Orasure has come up with. The problem we have in the Global Fund is that it will use Orasure to be the arbitrator. They don't use it for the basics. I mean, they have a cheaper product. And if there's some question as to the accuracy, then they bring in Orasure to determine for sure. When they came out with this new quick test, I'm hoping to be able to push through the Global Fund to be able to be a bigger user of Orasure's product, because I'm very sold on it, and I'm very—I think the company is doing a tremendous job, and I think it could help save us money in the future.

Senator SPECTER. Well, thank you for that answer and for your assurances that you will take a look to see what commitments—

Secretary THOMPSON. I will.

Senator SPECTER [continuing]. Have been made by SAMHSA or others in your Department.

CDC AND NIH BUDGETS

A two-part question, Mr. Secretary. Your budget document states there is a growing concern that the next public-health emergency could overwhelm current capacities to respond, and would likely overwhelm CDC's current capabilities. How can we realistically cut the CDC budget by \$116 million on their overall budget, and almost 180 million on their buildings and facilities, in the light of their mission and the tremendous threats?

The second question I have for you relates to the budget of the National Institutes of Health, where we are facing a situation with the administration request to lead to a drastic curtailment of NIH awards.

If you would respond to those two questions, I would appreciate it.

Secretary THOMPSON. Thank you. And let me quickly respond so I can get to both of them.

In regards to CDC, let me say that I let you down, Senator. I did not sell as effective as I thought I should have been able to, to get a little more money into buildings. That is the big difference in the reduction at CDC. As you all know, and you've been the leader in this, we're trying to get \$250 million a year down there, and we came in with a budget of \$82 million, of which \$40-some million is going to Fort Collins. That is the big difference. A reduction in the VERB program was the other. I gave Director Gerberding, Assistant Secretary Julie Gerberding, an allotment of what she could do. She came in with the best budget she could. I think it's quite good.

In regards to overwhelming the resources, the biggest thing I'm concerned about right now is a pandemic flu, and we have put some additional money in there, \$50 million in the CDC, I've got \$50 million into my accounts, in order to try and make sure that we are prepared to try and move companies from the egg culture to the cell culture, especially with avian flu that may come or may not come. I am very concerned about that. And avian flu could have the potential for destroying some of the egg stock because it affects chickens, and so we're trying to do something.

In regards to NIH, we still, under our budget, are going to be able to give out more grants. Where we saved the dollars was reducing what was called the cost of increase to the cost of inflation over the 4-year grants, and we reduced that approximately from about 3.3 percent down to about 1.3 percent. But next year, even if our budget—if Congress doesn't put more money into it, there will be more grants out there than there has been before. And since I've been Secretary, thanks to you, the Congress leadership in giving us the dollars, we have gone up by 30 percent in grant applications, in grant requests, in grant approvals, and 42 percent increase in the amount of dollars that those grants have been able to receive.

Senator SPECTER. My red light went on in the middle of your answer, Mr. Secretary. And we will be submitting more detailed questions on NIH—

Secretary THOMPSON. Thank you.

Senator SPECTER [continuing]. For the record.

Secretary THOMPSON. I would be more than happy to answer them, sir.

Senator SPECTER. We've been joined by the distinguished chairman of the full committee.

Senator Stevens.

HEALTHCARE DELIVERY

Senator STEVENS. Thank you, Mr. Chairman. I do have three other areas to stop by—I stopped by here, Mr. Chairman, because

I don't think any person in history has brought more hope to the Alaska native people in the area of healthcare delivery than Secretary Thompson, and I'm—

Secretary THOMPSON. Thank you.

Senator STEVENS [continuing]. Here to thank you very much and, what's more, to invite you back again. Your annual visits really bring great hope to our people.

ALASKA DENTAL ASSOCIATION

You may be interested to know that yesterday, for the first time, the American Dental Association, the Alaska Dental Association, approached me with the idea of trying to interface some dental care into the village health clinics. That has been a total gap, in terms of the care—

Secretary THOMPSON. Huge gap.

Senator STEVENS [continuing]. Of Alaska natives. It's really great news. They came forward on their own, and I look forward to working with you and with your people on trying to partnership with them. They're willing to take on part of the cost. It's a very interesting thing.

POSITRON EMISSION TOMOGRAPHY

I also am grateful to you for what you've done to help us try to move CMS forward to bring about the favorable coverage decision for PET, positron emission tomography. I do believe, Mr. Chairman, that there's no system that holds more hope for dealing with the baby-boom generation than PET, in terms of trying to get a handle on Alzheimer's and those diseases related to dementia. And, clearly, if we follow through in that generation with the amount of Alzheimer's we've had in my generation, the cost is going to be overwhelming. We must find some way to deal with it, and at least PET will give us a chance for our medical researchers going ahead to try and find a cure to slow it down and to provide the opportunity, through the prescription drugs already on the scene, to deal with severe symptoms and to give those seniors with Alzheimer's a chance to have a fairly decent life as they can—into that terminal period. I can't thank you enough for that.

I do have a couple of questions that I would like to submit for the record, if I may, Mr. Chairman. And I thank you for your courtesy.

OBESITY

My last comment would be, keep up the battle against obesity. Secretary THOMPSON. Thank you.

Senator STEVENS. You know, we're just back on a journey through the Middle East, Mr. Secretary—Jordan, Iraq, Kuwait, Pakistan, Afghanistan, and even into France. We're the only nation that really has this terrible, terrible addiction to obesity, that I saw on that whole trip. Not our military men and women, thank God. They get the discipline when they're fairly young, and I hope it carries through for them. But for our community at large, I think obesity is becoming a number-one challenge to our survival. So I would hope we would all join with him and help him as much as possible.

Thank you for your courtesy.

Secretary THOMPSON. Thank you very much, Senator Stevens, and let me just thank you for your leadership. And, yes, I will be back in Alaska. I told you I'd go back to Alaska every year as long as I'm Secretary, and we've made some progress; not as much as you or I would like, but we're making some, and we'll be back there, and we've still got to work on the water and sewer for Alaska natives, because that is still—it's a huge problem, and I know you're the leader in that that, and I applaud you.

PREPARED STATEMENT

Senator STEVENS. Well, when your nearest neighbor is 500 miles away in every direction, and you have a hundred people, hope is a great thing.

Secretary THOMPSON. Yes, sir.

Senator STEVENS. And you've brought hope to those people, and I want to help you continue that.

Secretary THOMPSON. Thank you very much.

Senator STEVENS. Mr. Chairman.

[The statement follows:]

PREPARED STATEMENT OF SENATOR TED STEVENS

Thank you Mr. Chairman. Secretary Thompson, it's a pleasure to see you here today. Once again I want to express my appreciation for your leadership on a host of issues that are of vital importance to all Americans. I especially want to thank you for all that you have done for Alaska. We are looking forward to having you visit us again this summer.

I am also very grateful to you for helping get C.M.S. moving forward to a favorable coverage decision for PET scans to help diagnose Alzheimer's disease in Medicare patients at an earlier time than any other diagnostic test. That coverage will give many seniors who discover they have Alzheimer's a chance to slow the progress of the disease with medication before its incapacitating symptoms appear.

Mr. Secretary, I believe we will be facing a crisis of huge proportions when Alzheimer's begins to strike the baby boom generation. I hope our investment in medical research at NIH will produce a cure before that time. But, in the meantime, early diagnosis of Alzheimer's disease, through pet, coupled with currently available prescription drugs begun at a stage before the most severe symptoms appear, will help many seniors continue to lead productive and reasonably healthy lives.

I'm also pleased that you were finally successful in including funding in your fiscal year 2005 budget for the Denali Commission. While it is less than our fiscal year 2004 number, I know that you have worked hard to have those funds included in your budget because you have seen first hand many of the infrastructure projects the commission has funded in remote parts of Alaska.

I am concerned that several programs that fund rural health activities, like the Rural Outreach grants and Rural Hospital Flexibility grants have been eliminated. Both of these programs, while relatively small ones, have benefited remote communities in Alaska and other rural States that need special help to provide needed health services. I know this is a very tight budget, but I urge you to work with the subcommittee to restore funding for these programs.

Another matter of concern to me is our Nation's growing epidemic of obesity. Mr. Secretary, you are to be applauded for your personal leadership in this area, beginning with your putting the Department on a diet and encouraging physical activity. I hope you will continue to push forward, because yours is a message we must heed. A recent report from the CDC tells us that obesity will soon overtake smoking as the Nation's leading cause of preventable death. I will be pleased to work together with you in your efforts to make us a healthier Nation.

Mr. Secretary, again I thank you for your tireless efforts to improve the health and well being of Alaskans and other Americans.

Senator SPECTER. Thank you, Senator Stevens.

Senator Harkin.

Senator HARKIN. Thank you, Mr. Chairman.

MONEY FOLLOWS THE PERSON INITIATIVE

Mr. Secretary, as I said in my opening statement, I know you've long supported the right of people with disabilities to choose to live in their neighborhoods and communities, rather than nursing homes and institutions. Along with Senators Specter and Smith, we introduced a bill last summer to get the Money Follows the Person Initiative, as it's called, enacted last summer. As I said earlier, you included funds for this initiative in your fiscal year 2005 budget, for which we're very appreciative. I understand the Finance Committee is going to hold hearings on this issue on April 7. Again, these are all good first steps, but we really need your support to get this bill moving through Congress and signed into law.

I haven't really heard of any real opposition to it. It's just, sort of, we've got to get it moving. You know, we hear a lot of talk about the New Freedom Initiative and everything, and we're all very supportive, but nothing seems to happen. I guess I'm just asking if you could really help with the administration and getting this thing moving through Congress this year. That's all I'm asking.

Secretary THOMPSON. Absolutely. I am as passionate about it, hopefully, as you are, Senator. And I want to see it done, because I'm not going to be here next year, and I want to make sure that we get it through before I leave, and then I'm—I have talked to Senator Grassley on it, and he's going to hold a hearing on it. I'm hoping he'll get the bill introduced quickly so we can start getting co-authors on it and start getting bipartisan support. I don't think there's that much—any opposition to it. I think we've just got to get the time to get it through the committee and on the floor and through both houses. And I know the President's going to sign it. So let's work together on a bipartisan basis and make sure it gets completed this year.

Senator HARKIN. Well, I appreciate that, and I just—whatever we can do to help, but you can also be very influential in—

Secretary THOMPSON. Thank you.

Senator HARKIN [continuing]. Move it through. And I know you're passionate about it. And I agree with you, we've got to get it through this year.

FOOD LABELING

The second part of my question is, I had—I said I'm—again, I'm really appreciative of all that you're doing personally, and, through you, your Department, on this issue of obesity and wellness, and personal wellness as, sort of, a thing that we've got to be focusing on. I am somewhat puzzled, however, by the fact that many of the recommendations pertaining to the food industry and the labeling of foods, especially restaurant foods, are voluntary rather than mandatory.

As the FDA report notes, food consumed away from the home has increased from 33 percent of consumers' food budgets in 1970 to 47 percent in 2002. Over the same period, total calories consumed from food purchased outside the home increased from 18 percent to 32 percent. I guess my question is this: Why, then, despite FDA's own assertion that the food labeling required under the original

National Labeling Education Act has been helpful to the consumers, and despite the fact that your focus groups show that consumers would like more labeling in restaurants, why do does the report recommend, quote, "urge" the restaurant industry to launch a nationwide, quote, "voluntary" and point-of-sale information campaign for customers, rather than some sort of mandatory labeling requirement? I guess that's the essence of my question. Why voluntary? Why not have some mandatory labeling requirement for that information?

Secretary THOMPSON. It's a different way to approach the problem. I'm not saying one approach is that much better over the other one. Every month I sit down with a different group of people. I've met with the Restaurant Association now three times. I have asked them to put more information on their menus. Most of them are complying. It was a tough sell in the first meeting. Every meeting since then has been getting better, Senator. And the last one was a very friendly meeting in which they were volunteering many more menu items that are going to be heart-healthy and low carbs and better, and they're going to be more informative.

Number two, I have met with the health insurance companies many times. I met the health insurance, health companies, medical companies, and so on. I do this on a monthly basis. I bring in a different group to talk about prevention. And we continue to do that. We're holding a summit, I believe, next week, in Baltimore, on prevention, and we're having, I believe, 1,200 people that have signed up already to do it. So I'm using the bully pulpit because I believe, like you do, of \$1.5 trillion, 75 percent is for chronic illnesses—\$155 billion for tobacco-related diseases, 442,000 people die; \$135 billion for diabetes, 200 million Americans die; \$117 billion on obesity. And I think we can do a lot better job. And I just think right now we can do it by pushing rather than hammering them.

Senator HARKIN. Well, Mr. Secretary, I was here when we pushed through the labeling for packaged goods in grocery stores. We had the same arguments then from the grocery people. The grocery manufacturers—oh, my gosh—"We changed the contents of boxes. We can't be doing this. And it's just going to be awful. It's just going to cost so much money." We went ahead and did it, and, you know, not even a blip. And yet people rely on that today. They go to grocery stores—it's taken some years, but now you look, I think the figures are over 60-some percent in surveys—people go to grocery stores, look at those labels to find out what they're buying.

Now, Ruby Tuesday, I don't know anybody—I don't know Ruby Tuesday—who owns it or who runs it, but I have a feeling they had a lot to do with these people now being more willing to put things on their menus, because Ruby Tuesday voluntarily said they're going to put it all in.

Let me just show—where's my chart? They were saying how onerous it was going to be. Here's a typical menu. And all they did is, they put the calories, the saturated fat, and sodium for each item. It's not a big deal.

Secretary THOMPSON. It is not.

Senator HARKIN. It's not a big deal.

Secretary THOMPSON. And it's very enlightening. And that's what we've got. We're changing the labeling out at FDA. We set up a committee. We're going to have some new labels with more information as to calories, portion size. And that's coming to FDA.

Senator HARKIN. But, again—and I know my time is up—I'm all for volunteerism, but FDA is also in the business of regulation and mandating, and we've been through this before, because it is such a health crisis. I, again, urge you to get the FDA involved in setting down a mandatory—there's legislation here, as you know, to do that, pending in the Senate and the House, to get the FDA to set down regulations on information of fat, calories, sodium on menus in restaurants. Rather than urging them—and you can urge and urge and urge. Some will do it, but not all of them will.

Secretary THOMPSON. I think you're going to see a lot of that kind of information on the labels when we come out later on this summer, Senator.

Senator HARKIN. Well, I hope so.

Secretary THOMPSON. I think you'll be very happy with it.

Senator HARKIN. But, again, I guess my rhetorical response might be, well, should we undo the regulations on the labeling regarding packaged good, and just make that voluntary?

Secretary THOMPSON. No.

Senator HARKIN. Of course not. Of course not. So I think this is, sort of, the next step in that, and I still believe that—I hope voluntarily everybody does it, but then you're going to have—maybe one will voluntarily put this information, someone will put this information.

Secretary THOMPSON. No, we're going to have uniform standards, and I'm going to be rolling those out this summer.

Senator HARKIN. But they'll be voluntary.

Secretary THOMPSON. Most of them will be at this point.

Senator HARKIN. So I won't have to abide by it. I'll put whatever I want to on it. Rather than putting the total calories and what that double-cheese, double-whatever-it-is, and these fries, I might put it on for a 6-ounce portion.

Secretary THOMPSON. I think we're going to be much more successful than you think, Senator.

Senator HARKIN. Well—

Secretary THOMPSON. I hope, anyway.

Senator HARKIN. Well, we can hope. We can hope. But it seems to me they've got to be pretty stringent and straightforward. But if it's voluntarily, you'll get a mismatch of all kinds of different information on stuff, and they will try to confuse people, because we've seen that happen in the past without the kind of things we have on the packaged goods. And we have a problem there, too, a little bit, as you know, because they use different sizes. And the FDA is getting ready to address that, and I applaud that.

Secretary THOMPSON. Yes, we are.

Senator HARKIN. Thank you, Mr. Chairman, for letting me go over my time.

Senator SPECTER. Thank you, Senator Harkin.

HEALTH PROFESSIONS

Mr. Secretary, there are three questions that I would like to state now, and ask you to respond to for the record.

With respect to health professionals, Mr. Secretary, I would like you to answer, for the record, how we can realistically cut the \$300 million reduction on those programs in light of the urgent shortage of health professionals, especially in rural areas. Your budget justifies that by an additional \$25 million to the National Health Service Corps, which, frankly, I don't see the relationship. But if you would respond for the record, we would appreciate it.

ABSTINENCE EDUCATION

Number two, on the abstinence initiative, this is a program that I think is very meritorious, abstinence education, and we would like a response on the evaluation that your Department is having as to how well these programs are working.

STEM CELL RESEARCH

And, third, as to stem cells, this continues to be a highly controversial subject. Those who oppose embryonic stem-cell research seek to tar those who favor it with the accusation that human cloning is supported, which, of course, is factually untrue. It's totally different, nuclear transplantation. But we would like you to respond as to your evaluation as to the availability of the 63 lines the President referred to on his famous declaration, back on August 9, 2001 in his 9 o'clock speech—the line was expanded to 70—and what has happened there, and how many of those are really usable, untainted with mouse feeder, and what is happening elsewhere. We hear periodic reports, but you are the central figure in the Federal Government. Give us the specifics on what's going on in South Korea or other places, or what Harvard is doing with reported \$100 million program, another report about things going on in Minnesota. And I see these periodically in the press, but we really ought to collate all of this in one central repository so we know what is happening on this very important subject, which is the cutting edge of real opportunity to make inroads against the most dreaded maladies of the era. I know your personal thinking on the subject, and I know that—the complexities of the issue, but, at the minimum, as of this time, we ought to have the facts before us as to what is happening there to make a judgement.

Well, thank you very much for coming in, Mr. Secretary.

Secretary THOMPSON. Thank you, Senator.

Senator SPECTER. I'd like to meet with you privately for a moment or two after the hearing.

ADDITIONAL COMMITTEE QUESTIONS

There will be some additional questions which will be submitted for your response in the record.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing.]

QUESTIONS SUBMITTED BY SENATOR ARLEN SPECTER

HEALTH PROFESSIONS

Question. With respect to health professionals, Mr. Secretary, I would like you to answer, for the record, how we can realistically cut the \$300 million reduction on those programs in light of the urgent shortage of health professionals, especially in rural areas?

Answer. Over the past two decades, we have invested over \$6 billion on general health professions training grants. However, as we shape future spending, we will concentrate on directly supporting efforts that improve health professions shortages, focus on emerging workforce demands, and meet the needs of the underserved.

The President's budget makes a substantial investment in expanding access to health care to underserved communities through the Health Centers program and the National Health Services Corps. In fiscal year 2005, the Health Centers program is on-track to meet the President's five-year goal to increase access to health care in 1,200 communities with new and significantly expanded health center sites and increase the number of people served by over 6 million. Further, the President's budget supports approximately 2,750 loan repayments and scholarships for health care professionals in the neediest communities through the National Health Services Corps program.

The new rural health care investments created by the Medicare Prescription Drug, Improvement and Modernization Act (MMA) will mean greater access to hospitals, health professionals and other medical services for rural seniors. It is estimated that the major rural provisions of the MMA will increase Medicare spending in rural America by \$20 billion over 10 years. In addition to substantially increasing Medicare reimbursement for rural hospitals, a focal point for health care in rural communities, the MMA will also increase reimbursement for physicians, and other health care providers, in rural areas. For example, the Act establishes a new 5 percent incentive payment for physicians practicing in physician scarcity areas which include many rural communities.

ABSTINENCE

Question. On the abstinence initiative, this is a program that I think is very meritorious, abstinence education, and we would like a response on the evaluation that your Department is having as to how well these programs are working.

Answer. The Department is currently funding two independent, rigorous, longitudinal evaluations of abstinence education programs. The first is an on-going evaluation of a select number of State Section 510 abstinence education programs. It is being conducted by Mathematica Policy Research (MPR). The second evaluation effort is currently in design phase. It will examine the effectiveness of community-based abstinence education programs and other approaches to teen pregnancy and STD prevention. Both of these evaluation efforts are overseen by the Office of the Assistant Secretary for Planning and Evaluation (ASPE).

An implementation report from the ongoing MPR evaluation was issued in April 2002. It documented a wide range of abstinence education programs that have been well received. They are innovative in their approach to promoting abstinence as the healthiest choice for youth. These programs incorporate activities that have been shown to be effective: an emphasis on goal setting; developing decision-making skills; getting parents, schools, and communities involved in supporting the healthy development of youth.

The programs are diverse, creative, and offer youth much more than a single message of abstinence. Youth responded positively to program staff who showed a strong and unambiguous commitment to the program message, and programs that used an intensive set of youth development services to enhance and support the abstinence message were very well received. The report showed that addressing peer pressure is difficult, and many programs have struggled to address these issues and engage parents in this process. This report also offered a description of the ways in which programs have partnered with local schools to provide abstinence education, highlighting some of the challenges to creating and sustaining these partnerships.

The MPR evaluation has an end date of September 30, 2006. The original time frame in the statute under which the evaluation project is operating was through September 2001. However, the contractor and others have recognized the need for a longer-term follow-up period in which to examine the program effects on youth. As a result, the contract period has been extended through September 2006.

ASPE is also in the process of designing an evaluation of community-based abstinence education activities and other approaches to teen pregnancy and STD preven-

tion. ASPE contracted Abt Associates to develop evaluation designs for a longitudinal, rigorous impact study, which will help best answer some of the original policy questions that were the impetus for this study. The study will follow adolescents through high school, and will measure the impact of these programs on behavioral outcomes, including the reduction and prevention of out-of-wedlock pregnancies and sexually transmitted diseases (both viral and bacterial). Other key outcome variables of interest include age at first sexual activity and intercourse, frequency of sexual activity and intercourse, and number of individuals who postpone sexual activity or intercourse through adolescence.

STEM CELL RESEARCH

Question. What is the status of the human embryonic stem cell (hESC) derivations listed on the NIH Stem Cell Registry? How many are in private hands? How many have been grown on mouse feeder layers? How many are viable?

Answer. All of the derivations listed on the NIH Human Embryonic Stem Cell Registry are privately owned by 15 different companies or academic institutions. The providers indicated by an asterisk (*) below are recipients of the NIH Infrastructure award to develop, characterize and distribute cell lines.

- BresaGen, Inc., Athens, Georgia*
 - 4 derivations
 - 3 lines available
 - The cells in derivation BG04/hESBGN-04 failed to expand into undifferentiated cell cultures.
- Cell & Gene Therapy Research Institute (Pochon CHA University), Seoul Korea
 - 2 derivations
 - 0 lines available
- Cellartis (formerly Cell Therapeutics Scandinavia), Göteborg, Sweden*
 - 3 derivations
 - 2 lines available
 - Cell line SA03/Salgrensk 3 was withdrawn by donor.
- CyThera, Inc., San Diego, California*
 - 9 derivations
 - 0 lines available
 - The cells failed to expand into undifferentiated cell cultures.
- ES Cell International, Melbourne, Australia*
 - 6 derivations
 - 6 lines available
- Geron Corporation, Menlo Park, California
 - 7 derivations, all duplicates of Wisconsin Alumni Research Fdn. derivations
- Göteborg University, Göteborg, Sweden
 - 16 derivations, reported to have not been exposed to mouse feeder layers
 - 0 lines available
- Karolinska Institute, Stockholm, Sweden*
 - 6 derivations
 - 0 lines available
 - The cells failed to expand into undifferentiated cell cultures.
- Maria Biotech Co. Ltd.—Maria Infertility Hospital Medical Institute, Seoul, Korea
 - 3 derivations
 - 0 lines available
- MizMedi Hospital—Seoul National University, Seoul, Korea*
 - 1 derivation
 - 1 line available
- National Centre for Biological Science/Tata Institute of Fundamental Research, Bangalore, India
 - 3 derivations
 - 0 lines available
- Reliance Life Sciences, Mumbai, India
 - 7 derivations
 - 0 lines available
- Technion-Israel Institute of Technology, Haifa, Israel*
 - 4 derivations
 - 2 lines available
- University of California, San Francisco, California*
 - 2 derivations
 - 2 lines available
- Wisconsin Alumni Research Foundation, Madison, Wisconsin*
 - 5 derivations

—5 lines available

Of the 78 entries on the Registry, 71 are from independent embryos and 7 are duplicates located at both WiCell (Wisconsin Alumni Research Fdn.) and Geron. The Geron cell lines are not being widely distributed to the research community.

Of the 71 independent derivations:

—16 have failed to expand into self renewing, pluripotent cell lines (9 at CyThera, 1 at BresaGen, 6 at Karolinska), and 1 line was withdrawn by the donor at Cellartis (formerly Cell Therapeutics Scandinavia, CTS). NIH provided Infrastructure support in failed attempts to expand these 16 derivations into distribution-quality cell lines.

—Of the remaining 54 independent derivations, 21 are available for shipment, after expansion and characterization using NIH Infrastructure grant awards.

The 21 that are currently available are:

BresaGen, Inc.—BG01, BG02, BG03

Cellartis—SA01, SA02

ES Cell International—ES01, ES02, ES03, ES04, ES05, ES06

MizMedi Hospital—MI01

4Technion-Israel—TE03, TE06

UCSF—UC01, UC06

WiCell—WA01, WA07, WA09, WA13, WA14

—Of the remaining 33 independent derivations, 2 more are at institutions with NIH Infrastructure awards. If these 2 were developed into distribution quality cell lines ready for shipment, there would be 23 independent cell lines available to the research community. The 2 cell lines under development are:

Technion-Israel—TE04, TE07

—The remaining 31 independent derivations are all at institutions located outside of the United States that have not applied for NIH Infrastructure awards to develop their cell lines. Any plans to develop these derivations into cell lines that are available to the research community are unclear at this time. The 31 derivations at institutions that do not have Infrastructure awards are:

Pochon CHA (Korea)—2 derivations

Göteborg Univ. (Sweden)—16 derivations

Maria Biotech (Korea)—3 derivations

National Centre for Biological Sciences (India)—3 derivations

Reliance Life Sciences (India)—7 derivations

As far as we know, all derivations have been exposed to mouse feeder cells, with the exception of the 16 derivations at Göteborg University (Sweden).

Information on the detailed characteristics of each of the derivations is available on the NIH Human Embryonic Stem Cell Registry, <http://escr.nih.gov>.

Question. What is Happening at Harvard University?

Answer. On March 25, 2004, Harvard University announced the derivation of 17 hESC lines in an article published in the New England Journal of Medicine. Funding for the derivations and distribution of these lines is being provided by the Howard Hughes Medical Institute, Juvenile Diabetes Research Foundation and Harvard University.

On April 23, Harvard University announced the establishment of the Harvard Stem Cell Institute. According to Harvard, the Institute will encourage adult and embryonic stem cell research using both animal and human stem cells. The Institute has two co-directors: Harvard Medical School Professor David Scadden, who also directs Massachusetts General Hospital's Center for Regenerative Medicine and Technology, and Douglas Melton, the Thomas Dudley Cabot Professor of the Natural Sciences and a Howard Hughes Medical Institute investigator.

Research at the Institute will be focused on five areas of disease for which stem cell therapy seems most promising. The diseases all result from some sort of organ or tissue failure and include: diabetes, neurodegenerative diseases, blood diseases, immune diseases, cardiovascular disease, and musculoskeletal diseases.

Although research on the 17 new human embryonic stem cell (hESC) derivations are not eligible for Federal funding, NIH is currently supporting several scientists at Harvard University whose hESC research use lines eligible for Federal funding. Dr. Doug Melton is working to identify the genes involved in hESC self-renewal and differentiation. Dr. George Daley is studying hematopoietic development from hESCs. Dr. Howard Green is working to develop the culture conditions to coax hESCs to become the keratinocytes that make up human skin's epidermis. Dr. Jeffrey Harper is analyzing the signals that control hESC division.

Question. What is Happening in South Korea? What is Happening in Other Countries?

Answer. On February 12, 2004, South Korean researchers published the first scientifically credible report of the creation of a cloned human embryo in the labora-

tory by means of somatic cell nuclear transfer (SCNT) (Science 303: 1669–1674.) These scientists, supported by the South Korean government, then used these cloned embryos to establish a human embryonic stem cell line. They combined the DNA of a woman's ovary cell with her donated egg, from which the nucleus had been removed, and then stimulated the newly combined cell to divide. The resulting very early embryo was then allowed to develop to the blastocyst stage (five to nine days), at which point it was disaggregated and the highly potent stem cells of the inner cell mass were removed. These stem cells were then treated to produce a stem cell line to be used for various kinds of biomedical research. Subsequent to the publication of the SCNT study, the South Korean government voted to ban the creation of cloned human embryos, but might allow cloning for biomedical research on a case-by-case for medical treatment subject to approval by a National Bioethics Advisory Commission. Scientists will be permitted to use spare frozen embryos, left over from infertility treatments and kept in laboratories for at least five years, for limited stem cell research into treatments for hard-to-cure diseases. The regulations banning human cloning are expected to come into effect after President Roh Moo-hyun signs the bill. The regulations on stem cell research will go into effect in 2005.

Other International Stem Cell Efforts

International Society for Stem Cell Research (ISSCR)

The International Society for Stem Cell Research is an independent, nonprofit organization established to promote and foster the exchange and dissemination of information and ideas relating to stem cells, to encourage the general field of research involving stem cells and to promote professional and public education in all areas of stem cell research and application. Opinions on the legitimacy of experiments using human embryos vary among members of the European Union (EU) according to the different ethical, philosophical and religious principles in which they are grounded. EU member states have taken very different positions on the regulation of human embryonic stem cell research and cloning for biomedical research. More information about the regulations and policies of EU members can be found on the website of the ISSCR at the following link: <http://www.isscr.org/scientists/legislative.htm>.

The International Stem Cell Forum (ISCF)

The ISCF was founded in January 2003 to encourage international collaboration and funding support for stem cell research, with the overall aim of promoting global good practice and accelerating progress in this vitally important area of biomedical science. The Forum's long-term aim is to help stem cell scientists achieve a range of revolutionary medical advances that will benefit people throughout the world. The ISCF is led by the United Kingdom's Medical Research Council and consists of 14 leading supporters of stem cell research from around the world. Member organizations are based in the United States, Finland, Australia, Canada, Germany, France, Israel, Netherlands, Japan, Singapore, Sweden, Switzerland, and the United Kingdom. Within ISCF, the United States is represented by the NIH. The Juvenile Diabetes Research Foundation International (JDRF) is also a member of the ISCF. One short term goal of the ISCF is to compare different stem cell lines from the member organizations. As part of this goal, NIH's federally approved stem cell lines will be compared to those of other member organizations. Information about the stem cell research efforts of the member organizations can be found on the website: <http://mrc.live.tmg.co.uk/>.

PREPARED STATEMENT RECEIVED

Senator SPECTER. We have received the prepared statement of Senator Mary L. Landrieu. The statement will be placed in the hearing record.

[The statement follows:]

PREPARED STATEMENT OF SENATOR MARY L. LANDRIEU

With the release of the 2005 budget, President Bush emphasized his commitment to reducing the deficit, most of which has been created by his fiscally irresponsible policies, within five years. The overall budget proposed by the President cuts domestic discretionary spending outside of homeland security by \$49 billion by 2009, a 12 percent cut in spending. A large portion of the domestic discretionary spending that the Administration proposes to cut from 2005–2009 is administered by the Depart-

ment of Health and Human Services and provides services such as child care, child welfare, and health care to our poorest children, families, and seniors.

Because it is an election year, the Administration has attempted to hide their lack of support for domestic spending by playing a shell game. When questioned about their commitment to important social issues, the Administration touts its minor increases in some programs in the 2005 budget as evidence of their "compassionate conservatism." Yet, if you look closely enough you will see that after this year, these "increases" continue to shrink until they sink below current funding levels by 2009.

Although I am supportive of almost any policy aimed at bringing the economy back into an era of surpluses, as we enjoyed during the Clinton years, I believe the President's method for trying to achieve a reduction in deficits through cuts in spending on our most vulnerable populations is at best, flawed. Because domestic discretionary spending outside of homeland security only accounts for one-sixth of the overall budget, the President's proposed cuts would not significantly reduce the deficit. What they will do, however, is increase financial burdens on states at a time when they are experiencing the worst fiscal crises since WW II. estimates show that states will face deficits of \$40 billion or more in 2005. It is predicated that my own state of Louisiana will face a deficit of \$500 million this year. Under the decreased federal funding in the President's new budget, Louisiana and other states will be forced to impose deeper cuts on programs such as government subsidized health insurance and child care subsidies for the poor.

In his budget, President Bush does not limit his cuts to discretionary spending but also proposes cuts in entitlement spending for many of these programs. It is unbelievable to me that in a time of a recession, this President proposes to cut support for TANF, child care, child welfare, and other social services by over \$2.8 billion.

While his TANF re-authorization calls for increases in the number of hours that fathers and mothers must work, the budget flat funds child care assistance to these families. Over the last year 100,000 children have lost assistance and predictions indicate that at least an additional 200,000 children will lose assistance by 2009 under the current budget proposal. The TANF entitlements funds are also flat-funded, though 8.2 million people are unemployed and more families are at risk of reliance on the welfare system. And although President Bush's policies have contributed greatly to the dire situation many of these families face, he continues to turn his back on them by refusing to provide adequate funding to the government programs that will allow them to survive these difficult times.

The Administration's proposal for health care reflects an equal lack of compassion towards these low-income families. Our country's problem of the uninsured has reached a crisis level, with almost 44 million individuals who are not insured. Predictions show this problem is getting even worse. Yet, the Administration is proposing further cuts in aid to low-income individuals through Medicaid, calling for a reduction in funding for Medicaid by nearly \$1 billion in 2005 and by nearly \$16 billion over the next ten years. And the President is attempting to unload this crisis onto states by pushing for turning Medicaid into a block grant. The result would be a cap on the amount of money the federal government would spend on this program and a shift of costs to the states, preventing them from being able to respond to the dynamic health care needs of their residents.

President Bush is proposing a similar funding structure for foster care payments to states. Under this proposal, states would be given the option to receive block grants in place of entitlement funding that is typically provided for services to foster children. These block grants would freeze funding to states at a specific level for five years, meaning that the funds would no longer be based on need or the number of eligible children. This cost neutral proposal does not increase funding to a foster care system that is already under-funded. In fact, many programs that have been block-granted in the past have ended up with less funding over time. Although I do support a federal funding structure for child welfare services that allows states the flexibility to be innovative in meeting the challenges of families involved in this system, the President's proposal of block granting will ultimately result in states having less resources to provide necessary services.

Understanding that these families face complex and varying challenges, I support the President's budget proposal that would increase funding for Promoting Safe and Stable Families to \$505 million. This program offers flexible funding to states for a range of community-based family support and adoption services. This money can be used for prevention and family preservation services that help to keep children with their biological families and out of the child welfare system. Although I am happy to see that the Administration has recognized the importance of this program by proposing increased funding, I hope that it will modify proposals for other child welfare programs to provide adequate funding to assist families.

Investments in programs that focus on prevention, such as those provided through the Promoting Safe and Stable Families funding, are cost-saving. By investing in these primary services, our government avoids investment in solving problems that could have been prevented. Unfortunately, the President's budget proposal for substance abuse services under the Substance Abuse and Mental Health Administration does not reflect this idea, with over 2½ times the amount of funding proposed for prevention services dedicated to treatment services. I support the increases that President Bush is proposing for these treatment services, for this funding will aid in the healing of individuals and families who suffer from substance abuse issues. However, I further support increases in funding for prevention services, so that we can help families avoid the problems associated with substance abuse.

As lawmakers and appropriators, we have the responsibility to act on the idea that we can always do more to help the people we represent. We cannot be complacent with this budget. Much more can be done for some of our most vulnerable populations that are served through the Department of Health and Human Services than what is outlined in the President's budget. Using my seat on the Appropriations committee, I am committed to seeing valuable programs proposed to receive cuts by the Administration receive the funding that is necessary to meet the needs of those they are intended to serve.

SUBCOMMITTEE RECESS

Senator SPECTER. Thank you all very much. The subcommittee will stand in recess to reconvene at 9:30 a.m., Thursday, April 1, in room SH-216. At that time we will hear testimony from the Honorable Elias Zerhouni, Director, National Institutes of Health.

[Whereupon, at 10:35 a.m., Thursday, March 25, the subcommittee was recessed, to reconvene at 9:30 a.m., Thursday, April 1.]